



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Voluntary Report - public distribution

Date: 12/11/2000

GAIN Report #MX0187

Mexico

Product Brief

The Mexican Market for Beef and Beef Products

2000

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Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Mexico ATO [MX2], MX

This report is for informational purposes only to assist exporters of U.S. produced food and agricultural products in their sales and promotional efforts in Mexico. The data in this report were collected from local trade and government sources and are not necessarily official U.S. Department of Agriculture (USDA) data. While every effort has been made to provide an accurate list of contacts, telephone and fax numbers change frequently in Mexico. Also, there may be other qualified firms in Mexico and the United States, and their exclusion from any lists or directories is unintentional. Neither the U.S. Agricultural Trade Office nor the USDA endorses any firm contained herein. U.S. exporters should take normal commercial cautions when dealing with any potential importer, including checking credit references.

1. PRODUCT DEFINITION

The products included in this report are beef and beef products. These products are in sub-chapters 0201, 0202, 0206, 0210, and 1602 of the Mexican Tariff System.

2. MARKET SIZE

Production

Table 1
MEXICAN PRODUCTION OF BOVINE MEAT, 1996-1998
(Tons)

	1996	1997	1998
Bovine Meat Production	1,329,947	1,340,071	1,375,029

Source: Direccion General de Ganaderia, Secretaria de Agricultura (General Office of Livestock Affairs, Ministry of Agriculture)

Imports

Table 2
**MEXICAN IMPORTS OF
BEEF AND BEEF PRODUCTS, 1996-1998**
(Tons)

Tariff Code Categories	1996	1997	1998	1999e
0201-Bovine Meat, Fresh/Chilled	144.1	308.5	444.8	239.8
0202-Bovine Meat, Frozen	33.4	39.7	52.1	28.2
0206-Edible Offals	39.5	48.7	51.4	27.4
0210-Bovine Meat & Offals, Prepared	0	0	0	0
1602-Meat Preparations, Bovine Meat	2.9	3.6	3.5	1.6
Total	219.9	400.5	551.8	297.0

Source: Banco Nacional de Comercio Exterior-BANCOMEXT (National Bank of Foreign Trade)

U.S. Exports To Mexico

Table 3
**U.S. EXPORTS TO MEXICO OF
BEEF AND BEEF PRODUCTS, 1996-1999**
(U.S. Million Dollars)

Import Code Numbers	1996	1997	1998	1999a
0201.1001-Bovine meat, fresh or chilled in carcasses or half carcasses	3.9	9.6	13.1	6.0

0201.2099-Other cuts, with bone-in, fresh/chilled	18.0	33.6	39.3	15.6
0201.3001-Boneless, fresh or chilled	121.5	263.4	385.7	202.9
0202.1001-Bovine meat, in carcasses or half carcasses, frozen	0.1	0	0	0
0202.2099-Other cuts, with bone in, frozen	4.3	7.0	7.7	3.5
0202.3001-Boneless, frozen	27.4	30.6	40.4	20.6
0206.1001-Edible offals from beef, chilled/frozen	2.8	2.6	2.7	1.0
0206.2101-Tongues from beef, chilled/frozen	1.1	1.8	2.2	1.2
0206.2201-Livers from beef, chilled/frozen	5.9	6.2	6.0	2.9
0206.2999-Other edible offals, chilled/frozen	27.2	33.5	36.1	20.1
0210.2001-Other meat and edible offals, smoked, brine, etc., prepared	0	0	0	0
1602.5001-Offals and meat preparations, airtight packaging	0	0	0	0
1602.5099-Other meat preparations	2.9	3.4	3.3	1.6
Total	215.1	391.7	536.5	275.4

Source: Banco Nacional de Comercio Exterior-BANCOMEXT (National Bank of Foreign Trade) a- January - June 1999 figures

Table 4
U.S. EXPORTS TO MEXICO
OF BEEF AND BEEF PRODUCTS, 1996-1999
(Thousand Tons)

	1996	1997	1998	1999a
U.S. Beef Exports (Tons)	175.8	259.8	339.8	169.6
Total Exports	199.6	270.7	361.5	187.7

Source: Banco Nacional de Comercio Exterior-BANCOMEXT (National Bank of Foreign Trade) a- January - June 1999 figures.

Other Foreign Competitors

Official Mexican import statistics listed 20 other countries as exporting beef and beef products to Mexico during the 1996-1998 period. Export sales, by country, and their respective market shares are listed below. See table 5.

Table 5
MEXICAN IMPORTS OF BEEF AND BEEF PRODUCTS
BY COUNTRY, 1996-1998
(U.S. Dollars and Percentage)

COUNTRIES	1996	1997	1998	1999a
United States	\$215.1	\$391.7	\$536.5	\$275.4
% Market Share	97.8	97.8	97.2	92.7
Canada	\$2.8	\$5.4	\$11.2	\$17.0
% Market Share	1.3	1.3	2.0	5.73
Australia	\$1.1	\$1.8	\$2.9	\$2.1
% Market Share	0.5	0.4	0.5	0.7
New Zealand	\$0.5	\$1.1	\$0.8	\$0.4
% Market Share	0.2	0.3	0.1	0.1
Others	\$0.4	\$0.5	\$0.4	\$2.1
% Market Share	0.2	0.1	0.1	0.7
Total	\$219.9	\$400.5	\$551.8	\$297.0

Source: Banco Nacional de Comercio Exterior-BANCOMEXT (National Bank of Foreign Trade) a-January-June 1999.

With respect to the free trade negotiations Mexico is currently conducting with the European Union, meat, along with dairy products and cereals, were excluded. Mexican producers argue that their products do not receive the high subsidies that European products receive, and as such they would be disadvantaged in the market. To date, the Mexican producers have succeeded in persuading Government representatives to not include these respective products in the negotiation rounds.

Domestic Consumption

Table 6
**MEXICAN DOMESTIC CONSUMPTION
OF BEEF AND BEEF PRODUCTS, 1996-1998**

	(Tons)		
	1996	1997	1998
Production 1)	1,329,947	1,340,071	1,375,029
Imports 2)	199,635	270,723	361,474
Exports 2)	1,541	304	508
Consumption	1,528,041	1,610,490	1,735,995
Imports as percent of consumption (%)	13.1	16.8	20.8

Sources: (1) Direccion General de Ganaderia, Secretaria de Agricultura (General Office of Livestock Affairs, Ministry of Agriculture);
(2) Bancomext

Mexican Per Capita Consumption

Table 7
**MEXICAN PER CAPITA CONSUMPTION
OF BEEF, 1996-1998**

	(Kgs./Person/Year)		
	1996	1997	1998
Beef Per Capita Consumption	14.9	15.4	18.0

Source: Own estimates based on data from Direccion General de Ganaderia, Secretaria de Agricultura (General Office of Livestock Affairs, Ministry of Agriculture) and Banco Nacional de Comercio Exterior-BANCOMEXT (National Bank of Foreign Trade)

3. DOMESTIC COMPETITION

Mexico's livestock sector is composed of approximately 1.4 million ranches, breeders, stockyards and other related companies which, in total, contribute 1.2 percent of Mexico's GDP, or about US\$4.6 million. According to local trade representatives, Mexico is the world's seventh largest meat producer, accounting for 3.7 percent of total world production

Mexican livestock production is basically located in three climatic regions: cool, arid/semi-arid and tropical. The cool weather regions (Aguascalientes, Guanajuato, Hidalgo, Jalisco, Mexico, Michoacan, Oaxaca, Puebla, Queretaro, Tlaxcala and Federal District) represent 31.6 percent of Mexican production. The cattle in this region are European crossbreeds. The arid and semiarid weather regions are the northern and central states (Baja California North and South, Sonora, Chihuahua, Coahuila, Nuevo Leon, Durango, Zacatecas and parts of Tamaulipas and San Luis Potosi), and represent 33 percent of Mexican production. The most common breeds in this region are European, such as Hereford, Angus and Charolais. Exports of calves and small cows from these

states represent 98 percent of Mexican cattle exports. Most of these cattle are grass fed; there is no feed-lot beef produced in Mexico. The tropical weather region (Campeche, Colima, Chiapas, Guerrero, Morelos, Nayarit, Quintana Roo, Sinaloa, Tabasco, Veracruz and Yucatan) represents 35.4 percent of domestic production. This area is considered the least technologically proficient of all three producing areas. The cattle are basically Zebu breeds and their crossbreeds with European animals. Despite the comparatively low level of technological investment, this region has registered the highest growth rates in production and it boasts the majority of the Mexican herd. Also, in this region "double purpose" cattle, for meat and dairy purposes, are produced. This region is the principal meat supplier to the Mexico City Metropolitan area, which is the nation's largest domestic market. See table 9.

Table 9
**MEXICAN LIVESTOCK PRODUCTION
BY REGIONS, 1997**
(Tons and Percentage)

Regions	Production	Percentage
Cool	423,031	31.6
Arid/semiarid	442,709	33.0
Tropical	474,269	35.4
Total	1,340,009	100.0

Source: Direccion General de Ganaderia, Secretaria de Agricultura (General Office of Livestock Affairs Ministry of Agriculture)

The slaughter of cattle is mainly conducted in three different facilities: municipal, federal type inspection slaughter houses and on-site. In the production classification, by location, the federal type inspection facilities have increased their operations during 1990-1997. See table 10.

There are 149 federal inspection plants, of which 51 process beef. These plants were introduced in the early 1980s to produce meat that complies with international standards. According to the Secretaria de Agricultura-SAGAR (Ministry of Agriculture), the utilized capacity of these facilities in 1997 was 44.4 percent, with the slaughter of 1.3 million animals during that year. These plants principally produce for the export market, and 29 facilities are certified to ship to several countries including the United States, Japan, Canada and the European Union. However, production costs in these plants, in general, are very high, and as such they have large idle production capacities. It is estimated that no more than 20 percent of Mexican production is processed at these facilities. See table 10.

Most states have municipal plants, at which the number of animals slaughtered, per year, is approximately 5.5 million head. Typical municipal plants are not very large, but in the aggregate, the number of all municipal plants represents an important slaughtering capacity. Mexico does not utilize a meat grading system as is done in the United States.

Table 10
**MEXICAN PRODUCTION OF BEEF BY TYPE
OF SLAUGHTER HOUSE, 1990, 1996-1997**
(Percentages)

	1990	1996	1997
Municipal Slaughter Houses	55.6	50.3	49.5

Federal Inspected Plants	13.2	20.4	19.4
In Site	31.2	29.3	31.1
Total	100	100	100

Source: Direccion General de Ganaderia, Secretaria de Agricultura (General Office of Livestock Affairs, Ministry of Agriculture)

The principal beef meat producing states in Mexico are Jalisco and Veracruz, with 14.9 and 13.9 percent of domestic production, respectively. Other producing states include Chiapas (5.9 percent), Sonora (5.9 percent), Chihuahua (4.6 percent), Tamaulipas (4.5 percent), Tabasco (4.2 percent) and Durango (4.1 percent). These states represent 53.5 percent of total production. See table 11.

Table 11
MEXICAN BEEF MEAT PRODUCTION BY STATE, 1997
(State and Percentage)

State	Production %
Jalisco	14.9
Veracruz	13.9
Chiapas	5.9
Sonora	5.9
Chihuahua	4.6
Tamaulipas	4.5
Tabasco	4.2
Durango	4.1
Total	53.5

Source: Direccion General de Ganaderia, Secretaria de Agricultura (General Office of Livestock Affairs, Ministry of Agriculture)

The principal trade associations are the Confederacion Nacional Ganadera-CNG (National Livestock Confederation), which groups together all the regional livestock associations; and the Asociacion Mexicana de Engordadores de Ganado Bovino-AMEG (Mexican Association of Bovine Cattle Stockers), which represents the interests of domestic cattle growers. See the section of this report on "Key Trade Contacts" for contact information.

4. IMPORT REQUIREMENTS

Tariffs

Mexican import duties are classified according to the Standard International Harmonized System, as established under the provisions of the North America Free Trade Agreement (NAFTA). Sub-Chapters 0201, 0202, 0206, 0210, and 1602 of the Mexican Tariff System contain the tariffs for beef and beef products. In total, there are 13 specific tariff codes related to this product category. U.S. exporters should take note that Mexican foreign trade data for beef and beef products does not necessarily correlate with U.S. trade data. Different criteria to subdivide the six digit Harmonized Code categories, and the inclusion of additional product categories, account for these inconsistencies.

On August 2, 1999, the Mexican Government, through the Secretaria de Industria y Fomento Industrial-SECOFI (Ministry of Commerce and Industrial Promotion), imposed provisional compensatory duties on beef meat imports from the United States. The products affected by this dumping investigation include all beef products from live animals for supply, carcasses and half carcasses, bone -in, boneless, fresh, chilled, frozen, tongues, livers and other edible variety meats.

In the cases of live bovine cattle, it was determined by SECOFI to not apply any compensatory

duties. Similarly, it was also decided that beef imported by retail and department stores would not be charged the provisional compensatory duties.

In the case of carcasses (tariff codes 0201.1001 and 0202.1001), exports from the companies of Excel, ConAgra and IBP are not charged the provisional (i.e. temporary) compensatory duties as they proved to not be using dumping practices. Imports from all other U.S. suppliers were levied a 5.24 percent compensatory duty. The final ruling of which companies will be fined compensatory duties will be issued in the following months.

In reference to in-bone beef (0201.2099 and 0202.2099), products from ConAgra, Excel and IBP are not subject to compensatory duties. However, imports from Farmland are being charged a 7.60 percent duty, while all other products will be levied a 12.76 percent duty.

Imports of boneless beef products (0201.3001 and 0202.3001) from Excel and Farmland are not levied with compensatory duties. Imports from ConAgra and IBP are charged a 7.68 and 4.14 percent duty, respectively. All other imports will be subject to a 12.76 percent duty.

In the case of frozen tongues (0206.2101), SECOFI established the following duties: Excel 23.17 percent; ConAgra 16.91 percent; IBP 5.29 percent; Farmland 8.45 percent; and all other imports 198 percent. In the case of imports by retailers such as Gigante, Aurrera, Sultana and Plaza Coloso, no duties will be applied.

In reference to frozen livers (0206.2101), imports from Excel and IBP will not be subject to provisional compensatory duties. In the case of imports from ConAgra, and Farmland, however, duties of 3.02 and 11.02 percent, respectively, will be applied. For all other suppliers, a 106.24 percent duty will be imposed. Imports by retailers are free from any compensatory duty.

Finally, in the cases of offals (0206.2999), the following duties are currently imposed: Excel 17.10 percent; ConAgra 11.42 percent; IBP 36.22 percent; Farmland 2.67 percent; and all other suppliers 214.52 percent. Imports by retailers are exempt from these duties.

In addition to these compensatory duties, Mexico also has a fifteen percent value-added tax (VAT, or IVA in Spanish). Mexican Customs collect the VAT on foreign transactions upon entry of the merchandise into the country. As of July 1999, the nominal customs processing fee of 0.08 percent which was charged by Mexican Customs was eliminated as part of the NAFTA agreement. The following example illustrates how these duties are calculated as compared to a locally produced item.

	Imported <u>Products</u>	Domestic <u>Products</u>
F.O.B. Invoice value	\$100.00	\$100.00
Ad-Valorem duty (6 percent)	<u>6.00</u>	<u>N.A.</u>
Sub-total	\$106.00	\$100.00
Value-added tax (15 percent)	<u>15.90</u>	<u>15.00</u>
Total	<u>\$121.90</u>	<u>\$115.00</u>

Customs brokers use this total figure to calculate their fees, which usually are 0.5 percent, on

average, plus any storage and handling fees.

The basic Mexican import document is the Pedimento de Importacion (customs entry document), which should be presented to Mexican Customs together with the commercial invoice in Spanish, a bill of lading and the Sanitary Import Notice. Products qualifying as "North American" must use the NAFTA certificate of origin to receive preferential treatment. This form is available from the U.S. Customs Service, freight forwarders, local U.S. Chambers of Commerce or State Departments of Agriculture, and does not have to be validated or formalized. NOTE: Mexican Customs Law is very strict regarding proper submission and preparation of customs documentation. Errors in paperwork can result in fines and even confiscation of merchandise as contraband. Exporters are advised to employ competent, reputable Mexican importers or custom brokers.

Sanitary Requirements

Beef and beef products do not require an import license. However, imports of these products into Mexico are subject to zoosanitary requirements as published by SAGAR in the Diario Oficial (Official Gazette). On September 24, 1999, a series of guidelines were published for importers to secure the necessary zoosanitary requirements form. Beef and beef products must be from U.S. plants approved by the U.S. Department of Agriculture's Food Safety Inspection Service (FSIS) as qualified for exporting to Mexico. Imports also require a written sanitary import notice (Aviso Sanitario de Importacion). This is a free-style letter, written in Spanish, that must contain the following information:

- name of product;
- trade brand;
- specific quantity;
- name and address of producer;
- name and address of importer;
- port of entry and
- import tariffs numbers.

This document, written on the company's letterhead, should be addressed to the Secretaria de Salud; Direccion General de Calidad Sanitaria de Bienes y Servicios and presented at the port of entry. In addition, the invoice, airway bill and a Sanitary Statement (Constancia Sanitaria) are required. The sanitary statement must come from the exporting country's respective sanitary authorities, or a FDA-certified laboratory declaring that the products, identified by production lot, are safe and fit for human consumption; indicating their physical-chemical analysis; microbiological analysis; and, if applicable, specific analysis; country of origin and expiration date.

Shipments must arrive at a port of entry with available cold storage facilities. The land crossings are Ciudad Juárez, Chihuahua; Matamoros, Tamaulipas; Mexicali, Baja California; Nogales, Sonora; Nuevo Laredo, Tamaulipas; Reynosa, Tamaulipas; Tijuana and Baja California. The seaports are Manzanillo, Colima; Mazatlán and Sinaloa. Products consigned to TIF plants (federal inspection plants in Mexico) will be physically inspected at the TIF plant by the Mexican official stationed there, rather than at the border. This is only a change in the location of the inspection. It does not influence the rate of inspection.

SAGAR has the authority to approve additional inspection sites in the future, including airports. No

specific airports were named in the original regulation. Importers who want to bring in U.S. meat via air cargo must make arrangements with the Mexican authorities for approval.

Additional information on sanitary requirements for beef and beef products can be obtained from:
Secretaria de Agricultura, Sanidad Animal
(Ministry of Agriculture, Office of Animal Health)
Recreo 14
CP 03220 Mexico D.F. 0000
Mexico
Tel: (011)(525) 524-4558, 534-9496
Contact: Dra. Lourdes Molina, Jefe Depto. Importaciones

Labeling

Labeling for shipping containers of meat is also subject to a NOM requirement, which is a Mexican product standard regulation. The specific NOM for labeling imported beef and beef products is NOM-030-ZOO-1995, published in the Diario Oficial (Official Gazette) on April 17, 1996. This Mexican standard establishes the specifications and procedures for verification of meat, carcasses, offals and edible variety meats from imported sources at specific zoosanitary verification import entry locations.

In reference to labeling, all beef products must be packaged in boxes or "combos," which is a specialized packaging presentation. A label must be placed in the corner of box or combo and must contain the following information:

- The original label from the plant with the generic name of product, net weight expressed in kilos, name and number of the plant and the packaging date. This information must be in English.
- A label in Spanish, with the name of the exporting country; name, number and address of the plant; name of product with the text "manténgase en refrigeración" (maintain in refrigeration) or "manténganse en congelación" (maintain frozen).
- The boxes or combos must have the inspection seal of the Sanitary Inspection Authority in the country of origin, as well as the lot number, clearly visible .

NOM-030-ZOO-1995 is complemented by four other NOMS:

- NOM-004-ZOO-1994 (Control of Toxic Residue in Meat)
- NOM-008-SCFI-1993 (General System of Measure Units)
- NOM-009-ZOO-1994 (Sanitary Process for Meat)
- NOM-018-ZOO-1994 (Veterinarians Approved as Verification Units and Authorized to Provide Official Zoosaniatry Services)

Labeling for Retail Sale

Bi-lingual (or Spanish only) labels may be required upon entry into Mexico for processed meat products for retail sale. Using the information outlined below, exporters are advised to check with their importer to see if these requirements apply to the product being exported.

Mexican mandatory labeling features include:

- a. Name of the manufacturer.
- b. Trademark of commercial name brand.

- c. Description of the raw materials involved.
- d. Instructions for use and care.
- e. Product description whenever the product is packed such that it is not visible.
- f. The product's commercial name.
- g. A generic description in Spanish.
- h. A generic description in English.
- i. The Spanish phrase "Producto de EE. UU." which means "Product of the USA".
- j. The importer's Ministry of Finance Taxation number.
- k. The importer's name and address.

U.S. exporters are recommended to review these official norms for a better understanding of Mexican rulings and to prevent any delays in their shipments. Additional information on labeling requirements for beef and beef products can be obtained from the Direccion General de Regulacion Sanitaria de Alimentos, Secretaria de Salud, Donceles 39, PB, Centro, 06000 Mexico, D. F. Phone: (011)(525)518-3696. The Health Ministry also has an address in the Internet [Http://www.ssa.gob.mx/nom/index.html](http://www.ssa.gob.mx/nom/index.html) where more information on these NOMs is available.

Any federally inspected U.S. meat plant or cold storage facility interested in exporting to Mexico should contact the FSIS's Technical Service Center (TSC); Tel: (402) 221-7400; Fax: (402) 221-7479 and then submit form 9080-3. The TSC will then certify to Mexican officials which U.S. establishments are eligible to export. Products should not be shipped until confirmation of certification is received by Mexico from the TSC. Upon notification by Mexican officials that they have received the TSC's approval of the establishments and that they have been added to the current list of approved U.S. facilities, U.S. exporters can then ship their products. This list is available through the TSC's Export Library, or can also be requested from the TSC; Tel: (402) 221-7400.

5. WHO BUYS IMPORTED PRODUCTS IN MEXICO

The principal buyers of beef and beef products in Mexico are the retail, hotel and restaurant sectors. A brief description of these activities follows.

Retail Sector

The retail sector is the most significant buyer of beef and beef products in Mexico. The organized part of this sector is represented by the large retail chains and convenience stores, which for the most part are well organized, use modern retailing and marketing techniques, face fierce domestic competition, and represent around 60 to 70 of total retail sales in Mexico. The leading retail companies are members of the Asociacion Nacional de Tiendas de Autoservicio y Departamentales-ANTAD (National Association of Retail and Department Stores). The other part of this sector is comprised of the "mom and pop stores" which represent the traditional retail system, and which account for approximately 30 to 40 percent of total retail sales.

Sector analysts estimate total retail sales in Mexico at US\$ 80-85 billion, and they project this figure will reach US\$100 billion by 2000. Sales of large retail chains, estimated at US\$19.2 billion, represent about 4.5 percent of overall GDP. The "mom and pop" stores represent around US\$20 billion and the remaining balance, US\$40.8 billion, are sales by the informal segment or street vendors. These vendors do not handle imported beef and beef products.

At the national level, Cifra, Comercial Mexicana and Gigante are the most important retail chains. At the regional level, Organización Soriana, Grupo Chedraui and Casa Ley are the leading organizations. Also, the large U.S. retailer, HEB, has announced that they will open 35 additional stores in Mexico over the next five years. The company already has five stores in Monterrey, in the state of Nuevo Leon, and will soon open an outlet in the city of Saltillo, Coahuila. The new stores are planned for the states of Tamaulipas, Chihuahua, San Luis Potosí, Aguascalientes and Guanajuato.

Table 12
MEXICAN RETAIL SECTOR BY PRINCIPAL UNITS-1999
 (Companies and Number of Units)

ORGANIZATION NAME	NUMBER OF UNITS
(National Coverage)	
Gigante	<u>184</u>
Tiendas Gigante	117
Bodegas Gigante	40
Super G	26
Grupo Cifra	<u>191</u>
Bodegas	63
Sam's	30
Wal-Mart	27
Aurrera	33
Superama	36
Comercial Mexicana	<u>154</u>
Comercial Mexicana	81
Bodegas	26
Megas	14
Price	16
Carrefour	<u>19</u>
Government stores	<u>228</u>
Northern Mexico	
Casa Ley (State of Sinaloa)	<u>80</u>
Soriana (City of Monterrey)	<u>74</u>
Gulf States	
Chedraui (State of Veracruz, Tamaulipas, Quintana Roo)	<u>47</u>
Mexico City	
Sumesa - (Comercial Mexicana)	<u>17</u>
Retail Stores - SUBTOTAL	<u>690</u>
Convenience Stores	
Cadena Comercial OXXO	<u>748</u>
Seven Eleven	<u>237</u>
Convenience Stores SUBTOTAL	<u>1,900</u>
GRAND TOTAL	<u>2,549</u>

Source: ANTAD; and own estimates

Hotel Sector

In 1998, the Mexican hotel industry had 9,544 registered establishments with almost 400,000 hotel rooms and generating approximately 205,000 jobs. During that year, there were 98 hotels built throughout the country, adding 7,800 new rooms mostly in the four and five star category hotels. Room occupancy was 56.6 percent for the top 48 recreation centers in 1998. See table 13.

The hotel sector contributes with 1.5 percent of Mexican GDP and with 30 percent of the GDP of the

tourism sector. Most of the leading international hotel chains are actively doing business in Mexico such as: Hyatt, ITT Sheraton, Westin, Howard Johnson, Four Seasons, Marriot, Nikko, Mission, Best Western, Calinda, Presidente Inter-Continental, Quinta Real, etc. The principal hotel chain is Grupo Posada, operator of the Fiesta Inn (with hotels at 12 destinations) and Fiesta Americana hotels (13) and recently purchased the Caesar Park properties, for a total of 11,216 rooms. The Camino Real (14), Krystal (4), Marriot (3) and Hyatt chains (4) follow. In the top 500 companies in Mexico, 20 hotel organizations are listed. The Asociacion Mexicana de Hoteles y Moteles (Mexican Association of Hotels and Motels) is the principal trade association for this sector.

Table 13
MEXICAN HOTELS
CLASSIFIED BY CATEGORY- 1998

(Establishments and Rooms)

Category	Hotels	%	Rooms	%
Special Class	27	0.2	5,010	1
Grand Tourism	20	0.2	7,039	2
Five Star	406	4	67,790	17
Four Star	811	9	73,044	18
Three Star	1,430	15	66,558	17
Two Star	1,465	15	47,410	12
One Star	1,568	16	42,943	11
Non-Classified	3,865	41	85,626	22
Grand Total	9,545	100	397,970	100

Source: Asociacion Mexicana de Hoteles y Moteles, SECTUR and own estimates

The Special Class, Grand Tourism, Five Star and Four Star hotels cater to international and wealthy local tourists. These hotels are the prime buyers of imported products. The way purchasing departments operate in these hotels is that they contact different suppliers and compare their products and services. Suppliers are selected based on these results, and a directory is used by the Purchasing Department. These directories will include possible substitute suppliers for each item and comparisons are made at regular intervals to update their price-quality-service relationship

Like most high-level hotels, Five Star hotels purchase their products from specialized companies and, in some cases, directly from the manufacturer. However, they also deal with large central wholesale markets that specialize in fish and seafood products. In the case of Four Star hotels, they deal with specialized companies, manufacturers or their distributors, central wholesale markets, specialized wholesale markets (fish and seafood) and bakeries. The smaller hotels usually don't deal with suppliers offering delivery service and sometimes they have to send their own personnel to pick up the order.

Restaurant Sector

The Mexican restaurant industry is made up of 183,782 establishments that generate 525,000 direct positions and 408, 877 indirect jobs, representing 1.9 percent of total employment in Mexico and contributing with 3 percent to Mexico's GDP. For each new job in this sector, a total of 0.77 jobs are generated in the other related industries of the economy such as soft drinks/beverages, kitchen furniture, building construction, food processing, etc. The restaurant sector after two difficult years in 1995 and 1996, sales increased 22 percent in 1997 and 15 percent in 1998.

Total sales in 1997 were \$104.6 billion pesos (US\$13.2 billion at the average exchange rate of 7.9 in 1997) and approximately US\$15.2 billion in 1998. However, the industry typically experiences large swings in its financial situation. For example, the top five percent of the restaurants in Mexico, chains and luxury establishments, represent 45.1 percent of sales and 56 percent of employment in the sector. These are the companies considered to be of "international tourism quality" with excellent cuisine, promotional campaigns and usually with 30 or more employees. Mexico City has the largest concentration of restaurants with approximately 31,000 establishments (of which 2,500 are international tourism quality) and employing 293,000 persons. Restaurants are an important sector for generating foreign currency income and it is estimated that 30 percent of tourist's total expenses are for food. The trade association that represents this sector is the Camara Nacional de la Industria de Restaurantes y Alimentos Condimentados-CANIRAC (National Chamber of the Restaurant and Condimented Food Industry).

The size, prestige of a restaurant, and the dishes they serve are all factors that determine their supply source. Depending on these factors, restaurants are supplied by specialized companies, manufacturers, wholesale centers, local markets, and smaller vendors (butcher shops, seafood merchants, fruit and vegetable vendors, etc.). In addition, most restaurants, especially those that offer very traditional cuisine, have employees in charge of shopping at the wholesale centers and local markets.

Some traditional restaurants have a central purchasing department called "Comisariato" (commissary). This unit selects suppliers through a competitive bidding process in which the quality-price-service relationship is carefully analyzed. The different sections of the chain send their requests to the comisariato, which then secures the needed products.

Some of the most important restaurant chains in Mexico are: Sanborn's, VIPS, Lynis, Anderson's, Wings, Denny's, Tok's, Woolworth and Sushi-Ito.

6. DISTRIBUTION OF PRODUCT IN MEXICO

Nearly 80 percent of all beef and beef products sales are through supermarkets. However, only some of the retail chains are set up to import directly. This system of indirect purchasing or buying through local distributors/representatives is expected to change somewhat over the next few years, but currently it is the dominant business practice.

Only a few of the major retailers import directly from producers. The following retail organizations--Gigante, Cifra, Comercial Mexicana, Soriana, Casa Ley and 7/Eleven--have organized their own distribution centers and are importing directly, at least to some degree.

High income and middle class Mexican consumers prefer to purchase their meat products at supermarkets because of established hygiene practices and convenience. However, public and street markets are also very popular with local consumers because of price considerations.

Competition for retail shelf space is also intense. Billboards, radio and TV advertising campaigns are very popular and used for a large variety of products. In-store promotions, handouts, recipe cards and other forms of direct merchandising are also very important promotional tools, especially for new-to-market products.

Distribution in the foodservice sector is done exclusively through importers/distributors. These companies import beef and beef products and maintain them in their freezers. They visit their customers according to their needs, and also provide training and information on prices and new meat cuts. There are very few distributors with national coverage, and it is not unusual for an international producer to have several local distributors (as many as five or six) to supply the major regional markets. The main geographical markets for the foodservice sector are Mexico City, Cancun, Puerto Vallarta, Guadalajara, Monterrey and La Paz.

U.S. firms wishing to penetrate the Mexican market must have a locally based distributor/representative in order to operate and to establish a successful business relationship with domestic buyers. For the majority of small and mediums sized U.S. food companies, it is probably best to tap into a preexisting distribution network, either that of a distribution company or a Mexican food processor.

For an updated list of importers and distributors in Mexico, U.S. exporters should contact the U.S. Meat Export Federation-USMEF. See section 8 of this report, Key Trade Contacts, for more information.

7. TRADE EVENTS AND SPECIALIZED PUBLICATIONS

Trade Events

The leading events for the foodservice and retail sectors are:

- **"Resthotel Abastur,"** targets the foodservice industry, and is held annually during the first week of October in Mexico City at the World Trade Center. The Agricultural Trade Office (ATO) of the U.S. Embassy in Mexico is organizing a U.S. Pavilion for the year 2000. For more information contact the ATO at Tel: (011)(525) 280-5291; Fax: 281-6093.
- **"ANTAD,"** is Mexico's largest retail and supermarket show, and takes place every March in Guadalajara. This event is organized by the National Association of Retail and Department Stores (Asociacion Nacional de Tiendas de Autoservicio y Departamentales, A.C.-ANTAD), which can be contacted at Tel: (011)(525) 580-1772; Fax: 395-2610. The ATO is organizing a U.S. pavilion at ANTAD,2000. U.S. firms interested in participating should contact the ATO at: Tel: (011)(525) 280-5291; Fax: (525) 281-6093.

Other trade events include: **"Expo de las Americas,"** which focuses on the HRI sector and is scheduled for February 22-24, 2000. It is organized by E.J. Krause of Mexico, Tel: (011)(525) 669-2570; and **"EXPHOTEL' 2000,"** which is scheduled for June 2000, in Cancun and which also targets the foodservice sector. The ATO is organizing a U.S. pavilion at EXPHOTEL' 2000. U.S. firms interested in participating should contact the ATO at: Tel: (011)(525) 280-5291; Fax: (525) 281-6093.

Specialized Trade Publications

There are several specialized trade magazines that are distributed among foodservice and retail trade companies. These publications can be an effective tool to reach potential clients/agents/distributors, or to conduct a direct mail campaign. The leading publications, by sector, are:

-for retail business:

- **"Cadenas,"** a monthly publication directed at the managers and directors of the retail trade, and published by Editorial Multicolor; contact: Javier Ortiz Camorlinga, General Manager, Tel: (011)(525) 545-6960; Fax: 5250-8824;
- **"Abarrotes y Mas,"** a bimonthly magazine for small and medium retail businesses published by Servialimentos Publishing, S. de R.L. de C.V. Tel: (011)(525) 514-8010; Fax: 208-7864;

-for the hotel sector:

- **"Alta Hoteleria,"** published by Alta Hoteleria, S.A. de C.V.; Tel: (011)(525) 611-0898.

-for the foodservice sector:

- **"Servialimentos,"** which is distributed bi-monthly with national coverage by Servialimentos Publishing, S. de R.L. de C.V.; Tel: (011)(525) 514-8010; Fax: 208-7864;

The leading buyer's guide for foodservice is Abastomatic, which is published by M.E. Publicidad & Publicaciones; contact: Monica Paloma Garcia, General Manager, Tel: (011) (525) 522-2207; Fax: (525)542-7367.

Some of the leading general business publications in Mexico are:

- **"Business Mexico,"** which is published monthly in english by the American Chamber of Commerce of Mexico-Tel: 011(52) 5724-3800 ext. 3335; Fax: (52) 5703-2911, contact: Ms. Diane Hemelberg de Hernandez, Editor, or Ms. Cristina Bustos, Advertising Dept.;
- **"MB,"** published monthly, in english, by Hemisphere Publishers Group Inc.; contact: Ms. Lorena Jimenez, Advertising Director, Tel: (011)(52) 5540-7977; Fax: (525)5202-8478.

8. KEY TRADE CONTACTS

As of February 1999, a number five was added to telephone numbers in the Mexico City area. However, for long distance calls from the United States this additional five is not dialed.

U.S. Embassy-Agricultural Trade Office (ATO)

Jaime Balmes 8-201; Col. Los Morales Polanco

Mexico 11510

Mexico

Tel: (011)(525)280-5291, 280-5277, 281-6586; Fax: (525) 281-6093

<http://www.atomexico.gob.mx>

Contact: Chad R. Russell, Director

Office of the U.S. Department of Agriculture which assists U.S. firms in the promotion and market development of their agricultural, fishery and forestry products.

U.S. Meat Export Federation-USMEF

Jaime Balmes 8-201; Col. Los Morales Polanco

Mexico 11510

Mexico

Tel: (011)(525)281-6100, 281-6016 to 20; Fax: (525) 281-6013

E-mail:mexico@usmef.org

Contact: Ing. Gilberto Lozano, Director

Secretaria de Salud (Health Secretariat)

Sanitary Qualification Office

Donceles 39-PB

Mexico 06010, D.F.

Tel: (011)(525)518-2692; <http://www.ssa.gob.mx/nom/index.html>)

Contact: Dr. Jose Meljem Moctezuma, Director

Office of the Health Secretariat that regulates specific NOMS on health related issues.

Secretaria de Comercio y Fomento Industrial-SECOFI Direccion de Normas

(Secretariat of Commerce and Industrial Promotion, Norms Office)

Puente de Tecamachalco 6; Lomas de Tecamachalco

Edo. Mexico 53950

Mexico

Tel: (011)(525)229-6100-X4158; <http://www.secofi.gob.mx>

Contact: Lic. Jorge Hernandez, Direccion de Normas.

The Secretariat of Commerce and Industrial Development (SECOFI) is charged with a wide range of duties including: registration of all licensing agreements; granting import licenses and controlling foreign trade; general investment incentive policies; authorization for plant construction; regulating consumer product labeling and advertising; and examinations necessary for patent and trademark grants. This office of SECOFI issues the norms on quality and labeling.

Secretaria de Comercio y Fomento Industrial-SECOFI

Informacion Comercio Internacional

(Secretariat of Commerce and Industrial Promotion, Foreign Trade Information)

Alfonso Reyes 30-PB; Col. Hipodromo Condesa,

Mexico 06710, D.F.

Tel: (011)(525)229-6100-X3395 & 4949; <http://www.secofi.gob.mx>

Contact: Rocio Ruiz Chavez, Director

Office of SECOFI which provides general information related to NAFTA.

Secretaria de Agricultura, Sanidad Animal

(Ministry of Agriculture, Office of Animal Health)

Recreo 14

CP 03220Mexico D.F. 0000

Mexico

Tel: (011)(525) 524-4558, 534-9496

Contact: Dra. Lourdes Molina, Jefe Depto. Importaciones

Secretaria de Agricultura-SAGAR, Direccion General de Ganaderia

(Ministry of Agriculture-Director General Livestock Affairs)

Recreo 14

CP 03220Mexico D.F. 0000

Mexico

Tel: (011)(525)524-4558 & 534-9496

Contact: Dr. Enciso, Director General.

Confederación Nacional Ganadera-CNG

(National Livestock Confederation)

Contacts: Cesar Gonzalez, Presidente

Lic: Andres Piedra

Tel: (011)(525)225-7046; 254-3218; Fax: (525)514-1245 & 254-3218

American Chamber of Commerce-AMCHAM

Lucerna 78 – 4

Mexico 06600

Mexico

Tel: (011)(525)724-3800; Fax: (525)703-2911

e-mail: chawkins@amchammex.com.mx

Contact: Christine Hawkins, International Trade and Investment Consulting,

Director

A non-profit organization which assists U.S. companies in their business activities in Mexico.

Retail Sector:

Auchan S.A. de C.V.

Miguel Angel de Quevedo No. 443; Col. Romero de Terreros

04310 Mexico, D.F.

Mexico

Tel: (011)(525) 422-0301, 422-0300 ext. 114; Fax: (525) 422-0345

Contact: Gabriel Rojas, Purchasing Manager

Aurrera, S.A. de C.V.

Av. Universidad 936-A

03310 Mexico D.F.

Mexico

Tel: (011)(525) 420-0311; Fax: (525)420-0354

Contact: Javier Miranda, Purchasing Manager

Cadena Comercial OXXO, S.A. de C.V.

Edison 1253 Norte; Col. Talleres

64480 Monterrey, N.L

Mexico

Tel: (011)(528)389-2121; Fax: (528)333-7030

Carrefour-Grandes Superficies de Mexico, S.A. de C.V.

Av. Pte. Mazarik 216-2; Col. Polanco

Mexico D.F. 11579

Mexico

Tel: (011)(525)283-2900; Fax: (525)283-2926, Martfdeza htomail.com

Contact: Sr. Javier Lanes

Casa Ley, S.A. de C.V.

Carr. Int. Nte. Deportiva Km. 1434
Humaya
80020 Culiacan, Sinaloa
Mexico
Tel: (011)(567)59-1000; Fax: (567)50-5010

Club Aurrera, S.A. de C.V. (Sam's Club)
Av. Ejercito Nacional 559
11520 Mexico D.F.
Mexico
Tel: (011)(525) 325-0915; Fax: (525)326-0961
Contact: Rafael Olmos, Purchasing Manager

Gigante, S.A. de C.V.
Av. Ejercito Nacional 769-A
11520, Mexico D.F.
Mexico
Tel: (011)(525) 724-8000; Fax: (525) 724-8365, 724-8365
<http://www.telbip.com.mex>
Contact: Adolfo Venegas, Purchasing Manager

Jetro
Galileo 55; Col. Chapultepec Polanco
11560, Mexico, D.F.
Mexico
Tel: (011)(525)281-0006, 282-1578; Fax: (525)281-0798

Nueva Wal Mart, S.A. de C.V.
Av. Nextengo 78; Santa Cruz Acayucan
Mexico, D.F. 02770
Mexico
Tel: (011)(525) 327-9311; Fax: (525)723-7574, 371-9901; walmart.com
Contact: Jorge Hernandez, Purchasing Manager

Operadora de Comercial Mexicana
Fdo. de Alva Ixtixochitl 27, Col. Obrera
06800 Mexico D.F.
Mexico
Tel: (011)(525)723-7111, 723- 7461; Fax: (525)723-7574, 723-7495,
www.comercialmexicana.com.mex

Organización Soriana, S.A. de C.V.
Alejandro de Rodas 3102-A; Cumbres Sector 8
64610 Monterrey, N.L.
Mexico
Tel: (011)(528)329-9000; Fax: (528)329-9180, Jcortezasoriana.com.mex

Seven-Eleven Mexico, S. A. de C.V.

Av. Munich 195-B; Col. Cuauhtemoc
66450 San. Nicolas de los Garza, Monterrey, N.L.
Mexico
Tel: (011)(528)372-1572; Fax: (528)376-2171

Tiendas Chedraui, S.A. de C.V.

Priv. Antonio Chedraui Caram S/N; Encinal
91180 Xalapa, Veracruz
Mexico
Tel: (011)(528)14-4700; Fax: (528)14-4806

Tiendas de Conveniencia Primher 12+12 Serviplus

Roma 1; Col. Juarez
06600 Mexico, D.F.
Mexico
Tel: (011)(525)566-0053; Fax: (525)566-0164

Asociacion Nacional de Tiendas de Autoservicio y Departamentales-ANTAD (National Association of Retail and Department Stores)

Horacio 1855-6; Col. Polanco
Mexico D.F. 11560
Mexico
Tel: (011)(525)580-1772, (525) 580-0641; Fax: (525)395-2610
www.antad.org.mx
Contact: Efren Casas